

William D. Rogers, CFA
432 Snowy Egret
Kiawah, South Carolina 29455

Commissioners
South Carolina Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211

Dear Commissioners:

I am writing to ask for your thoughtful consideration on several matters relating to the Rate Application of Kiawah Island Utility, Inc seeking an adjustment of rates for its water and sewer services as filed with the Commission in August 2011.

I have had the good fortune to be a part time resident on Kiawah since 2003 and a registered voter in South Carolina since 2010. I have also had the opportunity to work for and with water, electric and gas utilities over the course of my corporate life.

I respectfully request that you consider the following items as you and your staff consider the aforementioned rate application:

- **Size of the increase** – although I recognize that operating costs may have increased, a rate increase of nearly 40% on customers is inappropriate given the current economic environment. This is simply too much rate shock for any customer base.
- **Financial information** – although I assume that Kiawah Island Utility, Inc has filed its schedules as required by the Commission, there is too little historical, and no audited information, to gain comfort with the financial and operating management over the last several years. Given that this is a historic test year state; this data would appear to be necessary for any judgment of prudence on cost of service by the Commission.
- **Capital structure** – I encourage you to evaluate the efficacy of a 46% equity content in the capital structure given the low risk nature of this utility and the financing it receives from contributions in aid of construction. It would appear that this utility could attract debt financing with a capital structure with an equity content of 40% or even less.
- **Equity rate of return** – Based upon the utility's operating margin request, the implied rate of return on the equity in the capital structure is over 10%. This is markedly higher than appropriate for a utility with this risk profile, the trend of allowed returns on equity throughout the United States, and the returns currently available in risk free investments (and therefore an allowed return on equity in a capital asset pricing model ("CAPM") approach).

- **Water supply line** – It is inappropriate to pre determine prudence on a new water supply line for Kiawah Island: complete engineering studies have not been conducted or disclosed, alternatives such as more efficient pumping and larger main lines have not been debated, and the need for this water supply for existing customers on the island has not been justified. At best, the Commission should consider a small funding for a studies account to be allowed in rates. The ask for an implied or specific pre prudency determination on an estimated and maybe unnecessary \$6.5 million with an existing water rate base of \$9.1 million is simply an egregious reach on the part of Kiawah Island Utility.

Thank you for your consideration of the above as you deliberate this application.

Respectfully,

William J. Rogers

Robert L. Clement, Jr.
One Bishop Gadsden Way
Apartment A-115
Charleston, SC 29412

October 20, 2011

Public Service Commission of South Carolina Attn:
John E. "Butch" Howard, Chairman (District 1),
Commissioners and Members 101 Executive Center
Drive, Suite 100 Columbia, SC 29210

Dear Mr. Howard, Commissioners and Members:

I would like to thank you for holding a public hearing on Kiawah. I am a longtime property owner on Kiawah. I have served as a Municipal Court Judge for the City of Charleston, Chairman of the Charleston County Council, and Assistant Corporation Counsel for the City of Charleston. I have also been a member of Charleston's Planning and Zoning Commission. From 1965 to 1992 I was managing partner of Young Clement Rivers, LLP, and currently am Of Counsel to Young Clement Rivers, LLP in the areas of business and corporate law.

I ask you today to consider how significant an increase is being requested, 39% water rate increase and 5.4% sewer rate increase and to take into account that while the proposed water and sewer rate increase appears to be an increase of only a few dollars more each month, this rate increase should not be approved based solely upon the ability of customers to pay, but rather about what costs and expenses are justified by Kiawah Island Utility Company ("KIU") in the proposed water and sewer rate increase application.

I believe it is important to note that KIU is wholly owned subsidiary of Kiawah Resort Associates ("KRA"), Kiawah's master developer, and KIU does not operate independently from KRA, as most other privately owned utilities do. KRA has expressed its intent to sell KIU and is in the process of identifying a prospective buyer for the utility. The future owner of the KIU may not be determined by the time the Public Service Commission is required to render a decision on KIU's proposed water and sewer rate increase application; however the sale of KIU could take place shortly after a decision has been reached by the Public Service Commission with regards to the proposed water and sewer rate increase application. Therefore, I urge you to provide even greater scrutiny to the proposed water and sewer rate increase application in order to protect property owners' interests.

Additionally, I am concerned that the proposed water and sewer rate increase requested by KIU places an unfair burden on all customers not affiliated with KRA. In

essence KIU is requiring these customers to pay for all the majority of infrastructure needed by KRA for expansion of its real estate development activities.

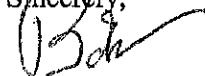
While I support an additional water line to serve Kiawah, so that we, the KIU customers, are not without a backup water line, it is also my understanding that without the additional water line KRA may be unable to develop land located within the town of Kiawah.

Finally, in my opinion, the cost associated to develop these areas and provide the needed infrastructure to support the new development should be shouldered by KRA, and not the KIU customers as proposed in the water and sewer rate increase application.

Thank you for considering the issues I have raised. I believe when you carefully examine the rate application, you will not grant the full increase KIU has requested.

With kind regards, I am

Sincerely,

A handwritten signature in dark ink, appearing to read 'Bob', with a stylized flourish extending from the end.

Robert L. Clement, Jr.

1 Bishop Gadsden Way, Apt. #116
Charleston, SC 29412
October 17, 2011

Public Service Commission of South Carolina
Attn: John E. "Butch" Howard, Chairman (District 1),
Commissioners and Members
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Dear Mr. Howard, Commissioners and Members:

I appreciate your holding a public hearing on Kiawah. It provides a convenient forum for property owners to voice their concerns about the proposed rate increase Kiawah Island Utility has requested.

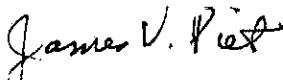
I served two terms as the Mayor of the Town of Kiawah Island (1998-2002) and I also had the privilege of serving as President of the Kiawah Property Owners Group from 2004 – 2006. My tenure in those two positions enabled me to become very familiar with the operations of Kiawah Island Utility.

One of my major concerns about the proposed water and sewer rate increase requested by the utility company is the burden it places on rate payers to pay for needed infrastructure additions and repairs, rather than sharing it with the Developer, who, I understand, needs the additional water line proposed in order to develop Cougar Island and Captain Sams Spit on Kiawah Island. If the actual cost of new water line is in fact \$6.5 million, rather than the \$5.5 million cited in the first rate application KIU filed this year (docket #2011-90-WS), that cost should not be borne totally by current rate payers.

In addition, I have great concerns because the Utility is a wholly owned subsidiary of the Developer. Therefore, I believe, numerous costs which a Developer usually bears, e.g., impact fees and the donation of additional infrastructure for newly developed areas, are not shouldered by KRA, Kiawah's master developer. The Utility and its rate payers are the ones who are forced to absorb these costs. This just doesn't seem fair to me.

Thank you for considering the issues I have raised. I believe when you carefully examine the rate application, you will not grant the full increase KI Utility has requested.

Very truly yours,


James V. Piet